

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **India**

## **Sugar Annual**

## **2013**

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**Report Highlights:**

Indian sugar production for marketing year (MY) 2013/14 (October-September) is forecast to decline by 8 percent to 25.3 million metric tons (raw value basis) on lower cane production and higher diversion for alternative sweetener. India is set to become a net sugar importer in MY 2013/14 on relatively strong domestic prices. The government's reform of marketing controls on the sugar industry will give millers greater flexibility in managing sales and cash flows, which in will ensure timely payment to cane farmers.

Note: All sugar data in the report are raw value basis unless otherwise mentioned.

**Commodities:**

Sugar, Centrifugal

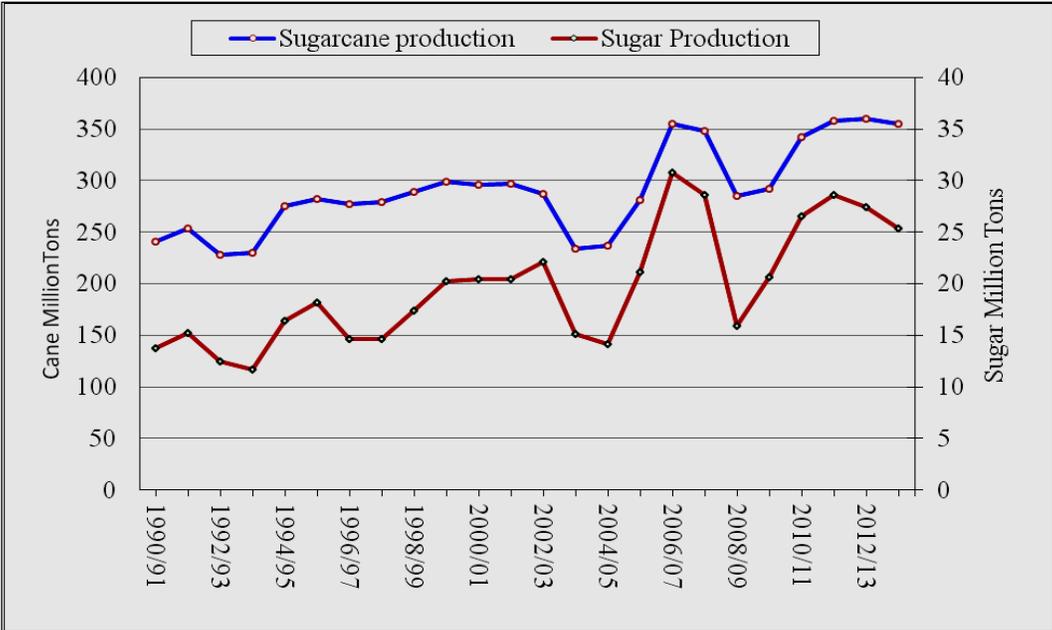
**Production:**

Assuming a normal monsoon and favorable weather, MY 2013/14 sugarcane planting is forecast at 5.35 million hectares, marginally higher than last year. In April 2013, the Government of India (GOI) abolished the sugar levy on mills and deregulated sale of sugar in the open market. The policy change (discussed in detail in the policy section) will help mills increase revenues and ensure timely payment to cane farmers, which should encourage higher planting in MY 2013/14.

Despite higher plantings, total sugarcane production is likely to decline slightly in MY 2013/14 to 355 million tons. Cane yields in Maharashtra, India’s leading sugar producing state, are unlikely to recover from last year’s drought. An expected larger proportion of retune crop will reduce Maharashtra’s sugarcane yields, and as a result, Indian average cane yields will shrink over last year.

India’s total centrifugal sugar production for MY 2013/14 is forecast at 25.3 million tons (includes 497,000 tons of khandsari - a low recovery sugar prepared by an open-pan evaporation method). The forecast 8 percent decline in production over last year is mostly due to a larger diversion of cane for gur production as gur prices are expected to remain relatively strong compared to sugar prices in MY 2013/14. Gur (crude non-centrifugal lump sugar) production is forecast higher at 7.24 million tons compared to 5.8 million tons in MY 2012/13.

**Figure1. India: Sugarcane and Sugar Production**



Source: Industry and trade sources

Post anticipates MY 2012/13 sugarcane production at a record 360 million tons due to higher than expected cane planting, particularly in Uttar Pradesh. However, lower sugar recovery in the drought affected state of Maharashtra is likely to bring down India's average sugar recovery to 10.5 percent compared to last year's 10.8 percent. Consequently, MY 2012/13 sugar production is estimated at 27.4 million tons, down 4 percent compared to last year.

The recent weakening of gur prices vis-à-vis sugar (Fig-2) and relatively strong cane prices paid by sugar mills limited sugarcane diversion for gur production during the peak crushing season. MY 2012/13 [mill sugar production](#) as of March 15, 2013 is estimated at 21.05 million tons (crystal weight basis), compared to 21.25 million tons for the corresponding period.

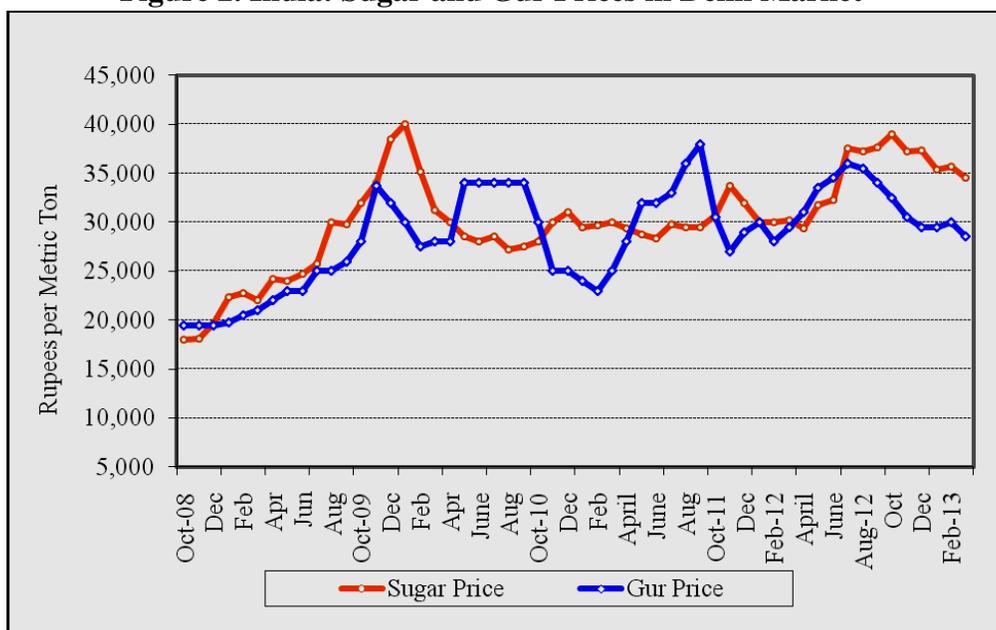
### **Consumption:**

MY 2013/14 Indian sugar consumption is forecast to rise to 26 million tons on continued strong domestic demand. A growing population (about 1.8 percent per annum), coupled with forecast Indian economic growth of 6 to 6.7 percent in fiscal year 2013/14, are likely to support higher sugar consumption. Bulk consumers, which include soft drink manufacturers, bakeries, hotels and restaurants and confectionary manufacturers, account for nearly 65 percent of the total consumption. Most khandsari sugar is consumed by local sweet meat shops. Gur is mostly consumed in rural areas for household consumption and feed use.

### **Market Prices**

Concern that a weak 2012 monsoon would reduce sugarcane yields and sugar production led to a rally in domestic prices during the second half of MY 2011/12 and the first quarter of MY 2012/13. Strong export demand in MY 2011/12 for Indian sugar underpinned domestic prices (Figure 2). After peaking in December 2012, domestic sugar prices softened on higher than anticipated domestic sugar production and weakening international prices. Currently, Indian wholesale sugar prices range from \$530 to \$585 per ton, and are likely to remain firm in MY 2013/14. However, international price movements can influence domestic prices. Although gur prices had softened in the first half of MY 2012/13, prices are likely to firm up in the second half on lower gur production.

**Figure 2. India: Sugar and Gur Prices in Delhi Market**



Source: Industry and trade sources

### Trade:

India is likely to be a net sugar importer in MY 2013/14 due to lower sugar production forecasts. Imports are forecast at 1.5 million tons while minimal exports are forecast at slightly more than half a million tons. During the first trimester of MY 2012/13, India imported approximately 890 tons of raw sugar due to lower international prices. Exports were limited to 340 tons. The current pace of imports suggests that India will import as much as 1.3 million tons MY2012/13. Commercial exports are likely to be minimal, except for sugar re-exported under the Advance License Scheme (ALS).

### Trade Policy

The central government, with effect from May 11, 2012, allowed sugar exports without restrictions under Open General License (OGL), subject to prior registration with the Directorate General of Foreign Trade. Sugar mills, exporters and importers are free to export and import sugar as per their commercial prudence. Sugar can be imported from any country under OGL, including raw sugar, subject to payment of the prescribed import duty (10 percent with effect from July 13, 2012). With raw sugar selling at a discount to local prices, refiners in Maharashtra and Karnataka will have an incentive to import raw sugar.

### Stocks:

Total MY 2013/14 ending stock is forecast at 10.8 million tons, slightly higher than MY 2012/13 ending stocks. Stocks for both the years are above par with normal stock levels (three-month consumption requirement).

## **Policy:**

### **Sugarcane Production and Pricing Policy**

The GOI supports research, development, training of farmers, transfer of new varieties, and improved production technologies (seed, implements, pest management) to growers in its endeavor to raise cane yields and sugar recovery rates. The Indian Council of Agricultural Research (ICAR) conducts sugarcane research and development at the national level. State agricultural universities, regional research institutions, and state agricultural extension agencies support these efforts at the regional and state levels. Central and state governments also support sugarcane growers by ensuring finances and input supplies at affordable prices.

To increase the area of cultivation and production in the country, the GOI has implemented the “Sustainable Development Fund of Sugarcane Based Cropping System Area under Macro Management Mode of Agriculture” program in various sugarcane growing states. Additionally, under Rashtriya Krishi Vikas Yojana (National Agriculture Development Program), state governments have been given flexibility to choose their priorities for the formulation of crop development projects, including sugarcane.

The GOI collects Rs. 240 (\$5.60) per ton of sugar produced by mills in support of the Sugarcane Development Fund (SDF), which is used to support research, extension, and technological improvement in the sugar sector. The SDF is also used to support sugar buffer-stock operations, provide a transport subsidy for sugar exports, and provide an interest subsidy on loans for the installation of power generation and ethanol production plants. In March 2008, the GOI enacted the Sugar Development Fund (Amendment) Bill, 2008, enabling the government to include the use of SDF funds for debt restructuring and soft loans to sugar mills.

The GOI establishes a minimum support price (MSP) for sugarcane based on recommendations by the Commission for Agricultural Costs and Prices (CACP) and consultations with State Governments and sugar industry and cane grower associations. Four years ago, the GOI announced a new fair and remunerative price (FRP) system that links cane prices with miller’s sugar price realization. Several state governments augment the MSP/FRP, typically by 30-40 percent, due to political compulsions rather than market pricing. Sugar mills are required to pay the “state advised price” (SAP) to sugarcane farmers irrespective of the market price of sugar. A forecast of a smaller cane crop normally encourages sugar mills to pay higher cane prices, resulting in prices exceeding the MSP/FRP in most of the growing states.

### **Sugar Marketing Policy: Government Approves Partial Market Decontrol**

On April 4, 2013, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Manmohan Singh, abolished the sugar levy on mills and deregulated the sale of sugar in the open market. Under the sugar levy, mills were obligated to sell 10 percent of their sugar production at below-market prices to the GOI. The GOI distributed this sugar at subsidized rates to poor consumers through the public distribution system (PDS). Under the new system, the GOI will continue to supply subsidized sugar for the poor by procuring sugar from the open market through open tenders. The difference between the open market price and PDS sale price

will be borne by the GOI. The sugar industry will continue to be subject to production controls by state governments, including sugar industry licensing, specified cane procurement areas for sugar mills, and cane pricing. Decontrol of sugar marketing will be reviewed in two years after assessing its effect on farmers and market prices. (For more information please refer to GAIN report IN3036). An official notification on sugar levy reform is expected to be out soon.

On March 26, 2013, prior to the partial decontrol of the sugar industry, the GOI decided to release 10.4 million tons of sugar as non-levy quota for open market sale between April and September, 2013. The sale and delivery period for the above quota is specified without inter-month restrictions. The non-levy quota will be apportioned and released only among those sugar mills which have submitted online production returns at the time of release. Mill-wise quota apportionment will discount the entire non-levy quota released for the period of October, 2012 through March, 2013. Any quantity left unsold will not be available for sale during the period of April, 2013 to September, 2013. There will be no conversion of unsold non-levy quota into levy quota during the period of current release, i.e. April to September, 2013 ([PIB Press Release](#) ).

### **Ethanol Program**

India's ethanol program is based on producing ethanol from sugar molasses, a by-product of the sugar industry and not directly from sugarcane or corn as in most countries. For more on India's ethanol program, please refer India's Biofuel Annual 2012 GAIN report IN2081.

**Production, Supply and Demand Data Statistics:**

**Table 1. India: Centrifugal Sugar (Raw Value Basis), In Thousand Tons**

Sugar, Centrifugal India	2011/2012			2012/2013			2013/2014		
	Market Year Begin: Oct 2011			Market Year Begin: Oct 2012			Market Year Begin: Oct 2013		
	USDA Official	Old Post	Data	USDA Official	New Post	Data	USDA Official	New Post	Data
Beginning Stocks	6,994	6,041	6,299	7,094	6,241	6,850			10,530
Beet Sugar Production	0	0	0	0	0	0			0
Cane Sugar Production	28,300	28,300	28,620	29,750	25,630	27,430			25,320
Total Sugar Production	28,300	28,300	28,620	29,750	25,630	27,430			25,320
Raw Imports	100	0	187	0	500	1,200			1,500
Refined Imp.(Raw Val)	0	0	1	0	0	100			0
Total Imports	100	0	188	0	500	1,300			1,500
Total Supply	35,394	34,341	35,107	36,844	32,371	35,580			37,350
Raw Exports	0	0	1,901	0	800	50			100
Refined Exp.(Raw Val)	1,800	2,600	1,856	2,500	1,400	500			500
Total Exports	1,800	2,600	3,757	2,500	2,200	550			600
Human Dom. Consumption	26,500	25,500	24,500	26,500	25,000	25,500			26,000
Other Disappearance	0	0	0	0	0	0			0
Total Use	26,500	25,500	24,500	26,500	25,000	25,500			26,000
Ending Stocks	7,094	6,241	6,850	7,844	5,171	9,530			10,750
Total Distribution	35,394	34,341	35,107	36,844	32,371	35,580			37,350

**Note:** Stocks include only milled sugar, as all *khandsari* sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption.

**Table 2. India: Sugarcane, Centrifugal, Area In Thousand Hectares And Others In Thousand Tons**

Sugar Cane for Centrifugal India	2011/2012			2012/2013			2013/2014		
	Market Year Begin: Oct 2011			Market Year Begin: Oct 2012			Market Year Begin: Oct 2013		
	USDA Official	Old Post	Data	USDA Official	New Post	Data	USDA Official	New Post	Data
Area Planted	5,090	5,090	5,080	5,250	5,100	5,310			5,350
Area Harvested	5,090	5,090	5,080	5,250	5,100	5,310			5,350
Production	347,870	357,670	357,670	365,000	335,328	360,000			355,000
Total Supply	347,870	357,670	357,670	365,000	335,328	360,000			355,000
Utilization for Sugar	260,000	270,000	257,000	270,000	240,000	252,000			232,000
Utilization for Alcohol	87,870	87,670	100,670	95,000	95,328	108,000			123,000
Total Utilization	347,870	357,670	357,670	365,000	335,328	360,000			355,000

**Note:** Virtually no cane is utilized directly for alcohol production. ‘Utilization for alcohol’ in the PS&D includes cane used for gur, seed, feed and waste. ‘Utilization for sugar’ data include cane used to produce mill sugar and khandsari sugar.

**Table 3. India: Sugarcane Area, Production, And Utilization**

<b>Sugar Cane</b>	<b>Area<sup>/1</sup></b>	<b>Yield<sup>/1</sup></b>	<b>Production<sup>/1</sup></b>	<b>Sugar<sup>/2</sup></b>	<b>Khandsari<sup>/3</sup></b>	<b>Gur<sup>/3</sup></b>	<b>Seed<sup>/3</sup></b>
	Million ha	Tons/ha	Million Tons	Million Tons	Million Tons	Million Tons	Million Tons
1985/86	2.86	59.99	171.68	68.98	10.48	71.62	20.60
1990/91	3.69	65.39	241.05	122.32	13.18	76.63	28.93
1995/96	4.15	68.02	282.09	174.76	10.00	67.27	30.06
2000/01	4.32	68.49	295.60	176.65	11.00	72.48	35.47
2001/02	4.41	67.38	297.21	180.32	10.50	70.73	35.67
2002/03	4.52	63.58	287.38	194.33	9.50	49.07	34.49
2003/04	3.94	59.39	233.86	132.51	10.00	61.35	30.00
2004/05	3.66	64.74	237.09	124.77	9.50	74.37	28.45
2005/06	4.20	66.93	281.17	188.67	8.500	50.26	33.74
2006/07	5.15	69.03	355.52	279.24	7.500	26.10	42.66
2007/08	5.06	68.81	348.19	249.90	7.000	49.50	41.78
2008/09	4.40	64.77	285.00	145.00	6.500	99.30	34.20
2009/10	4.20	66.14	277.80	185.54	6.500	52.41	33.33
2010/11	4.89	70.09	342.38	240.00	7.50	53.80	41.08
2011/12	5.08	70.41	357.67	257.00	7.00	50.74	42.92
2012/13	5.31	67.80	360.00	252.00	7.00	57.80	43.20
2013/14 <sup>3</sup>	5.35	66.36	355.00	232.00	8.00	72.40	42.60

**Note:** Figures for 2012/13 and 2013/14 are FAS estimates.

**Source:** /1: Directorate of Economic and Statistics, Ministry of Agriculture

/2: Indian Sugar Mills Association except 2012/13 and 2013/14

/3: FAS/New Delhi estimate

**Table 4. India: Mill Sugar Production by State, In 100,000 Tons Crystal Weight Basis**

State	2010/11	2011/12	2012/13	2013/14
	Final	Revised	Estimate	Forecast
Andhra Pradesh	10.1	11.4	9.9	8.8
Bihar	3.9	4.5	4.8	7.5
Gujarat	12.4	10.0	11.9	10.6
Haryana	3.9	4.9	3.5	5.1
Karnataka	36.8	38.7	31.2	26.9
Maharashtra	90.5	89.8	79.1	58.7
Punjab	3.0	3.9	2.8	2.7
Tamil Nadu	18.5	23.8	22.1	20.5
Uttar Pradesh	58.9	69.7	77.2	84.0
Others	6.0	6.7	9.8	7.4
Total	243.94	263.42	252.30	232.00

**Note:** Excludes khandsari sugar, as state break-up is not available.

**Source:** /1: MYs 2010/11 and 2011/12 - Indian Sugar Mills Association

/2: MYs 2012/12 and 2013/14 – FAS/New Delhi Estimate

**Table 5. India: Centrifugal Sugar, Price Table, In Rupees/Metric Tons (Crystal Weight Basis)**

Year	2011	2012	2013	Percent Change
January	29500	30000	35400	18%
February	29650	30000	35710	19%
March	30000	30250	34500	14%
April	29400	29400		
May	28750	31750		
June	28300	32300		
July	29750	37500		
August	29500	37200		
September	29500	37600		
October	30750	38960		
November	33750	37250		
December	32000	37360		
Exchange Rate:	49.00	53.45	54.12	
Local Currency/US \$				

**Note:** Exchange rate for 2011 and 2012 refers to Indian Fiscal Years (IFY) 2011/12 (April/March) and IFY 2012/13 respectively. Exchange rate of 2013 refers to first fortnight of April, 2013.

**Source & Contract Terms:** Indian Sugar Mills Association; month-end prices in the Delhi wholesale market

**Table 6. India: Gur, Price Table, In Rupees/Metric Tons (Actual Weight Basis)**

Year	2010	2011	2012	Percent Change
January	24000	30000	29500	-2%
February	23000	28000	30000	7%
March	25000	29500	28500	-3%
April	28000	31000		
May	32000	33500		
June	32000	34500		
July	33000	36000		
August	36000	35500		
September	38000	34000		
October	30500	32500		
November	27000	30500		
December	29000	29500		
Exchange Rate:	49.00	53.45	54.12	
Local Currency/US \$				

**Note:** Exchange rate for 2011 and 2012 refers to Indian Fiscal Years (IFY) 2011/12 (April/March) and IFY 2012/13 respectively. Exchange rate of 2013 refers to first fortnight of April, 2013.

**Source & Contract Term:** Indian Sugar Mills Association; month-end prices in the Delhi wholesale market.

**Table 7. India: Sugarcane Price Table, In Rupees Per Ton**

	2010/11	2011/12	2012/13
Minimum Support Price (MSP) or Fair Remunerative Price (FRP)			
Wheat	11,200	12,850	13,500
Rice (Grade A)	10,300	11,100	12,800
Sugarcane	1,391.2	1,450.0	1,700.0/*
State Advised Price (SAP) for Sugarcane, by State			
Uttar Pradesh	2,050-2,100	2,350-2,500	2,750-2,900
Haryana/Punjab	1,900-2,200	2,200-2,310	2,350-2,760
Southern States <sup>#</sup>	1,750-2,300	1,800-2,050	2,200-2,500

**Notes:**

\*: FRP for 2012/13 at 9.5 percent recovery, subject to a premium of Rs 1.79 for every 0.1 percent increase in recovery above 9.5 percent

#: Sugar mills pay market price

In 2011/12, Tamil Nadu government was paying Rs 100 in addition to SAP as transport cost

Exchange rate:

2011/12 (April-March) 1 US\$ = 53.45 Indian Rupees

2012/13 (April-March) 1 US\$ = 54.12 Indian Rupees

Source: Indian Sugar Mills Association

**Table 8. India: Monthly Release Of Sugar For 2009/10 Through March, 2012/13**

Month	2009/10	2010/11	2011/12	2012/13
October	1.99	1.90	2.00	4.40
November	1.56	1.62	1.92	
December	1.69	1.71	1.91	7.63
January	1.59	1.92	1.62	
February	1.79	1.54	1.46	
March	1.80	1.54	1.46	
April	1.80	1.81	5.21	10.4
May	1.92	1.76		
June	1.91	1.86	5.42	
July	1.47	1.47		
August	1.92	1.93		
Sept	1.60	1.73		
Total	21.03	20.77	21.39	22.43

**Note:** Quantity in million metric tons weight basis

**Source:** Indian Sugar Mills Association.

# The sale and delivery period for the above quota would be without any inter-month restrictions.

**Table 9. India: Import Trade Matrix, Centrifugal Sugar, MY 2011/12**

Period	Raw Sugar	White Sugar	Total
October	0	49	49
November	0	2	2
December	0	135	135
January	48,500	40	48,540
February	0	45	45
March	0	28	28
April	0	21	21
May	0	46	46
June	0	61	61
July	0	111	111
August	100,572	182	100,754
September	38,245	26	38,271
TOTAL	187,317	746*	188,063

**Source:** Industry source.

**Note:** Quantity in metric tons. \* raw equivalent = 799 tons

**Table 10. India: Export Trade Matrix, Centrifugal Sugar, MY 2011/12**

Period	Raw Sugar	White Sugar	Total
October	55,631	133,969	189,600
November	41,241	72,872	114,113
December	44,475	73,671	118,146
January	103,801	110,190	213,991
February	210,190	111,687	321,877
March	232,899	145,134	378,033
April	261,701	193,050	454,751
May	317,400	214,758	532,158
June	191,608	218,210	409,818
July	252,884	250,314	503,198
August	146,703	92,591	239,294
September	42,225	117,821	160,046
Total	1,900,758	1,734,267*	3,635,025

**Note:** Quantity in metric tons.

**Source:** Industry and Trade sources. \* Raw equivalent = 1,855,666 tons